The Oshawa Group Limited Annual Report

For the fiscal year ended January 27, 1973

Oshawa

Contents

Maurice Wolfe

On the occasion of his eighty-fifth birthday, Mr. Maurice Wolfe, a co-founder of the Company and Honorary Co-Chairman, tendered his resignation as a Director. In recognition of Mr. Wolfe's contribution to Oshawa and to the Canadian food industry, the Directors passed the following Resolution:

"The Board of Directors acknowledges a lifetime of service to the Corporation by Maurice Wolfe and accepts with profound regret his resignation as Honorary Co-Chairman and member of the Board of Directors. A founder of the Corporation and architect of its early development, Mr. Wolfe over a 60-year span made an immeasurable contribution to Oshawa's growth. His integrity, devotion to the highest principles of business conduct and concern for his fellow man will stand for all times as an example worthy of emulation."

Results in Brief

(in thousands of dollars except per share data)

Sales	January 27 1973 (53 weeks)	January 22 1972 (52 weeks)	% Change
Wholesale Food	$247,366	$178,627	+38.5
Retail Food	$156,458	$143,008	+ 9.4
Total	$403,824	$321,635	+25.6
Institutional Food	$ 36,608	$ 29,844	+22.7
General Merchandise	$153,376	$131,048	+17.0
Other	$ 6,577	$ 7,854	−16.3
Total	$600,385	$490,381	+22.4
Earnings Before Extraordinary Income	$ 6,821	$ 6,094	+11.9
Earnings Per Share Before Extraordinary Income*	97¢	87¢	+11.5
Extraordinary Income	$ 2,884	$ 77	
Net Earnings	$ 9,705	$ 6,171	+57.3
Net Earnings Per Share*	$ 1.38	88¢	+56.8
Shares*	7,024,990	6,991,515	+ .5
Dividends Paid	$ 2,110	$ 1,748	+20.7
Dividends Paid Per Share	30¢	25¢	+20.0

Number of Stores at Year End		
IGA Markets	399	391†
Other Franchise Food Markets	297	240†
Company-Owned Food Markets	80	72
Department Stores	34	33
Pharmacies	26	26
Drug Marts	8	7
Health and Beauty Aid Stores	9	12
Restaurants and Snack Bars	62	57
Catalogue Showrooms (50% owned)	26	9

* Weighted average of combined Class A and Common Shares outstanding.
† Includes Codville stores for comparative purposes.

La version en français de ce rapport sera envoyée sur demande.

Year in Review

In recent years, Oshawa has emphasized the expansion of its general merchandise and institutional food divisions, while continuing to develop wholesale and retail food operations. The soundness of this policy became evident in 1972 when, for the first time, earnings from these divisions exceeded those derived from food distribution.

Discount pricing continued to dominate food retailing in 1972 and retail gross profit margins remained under pressure. In common with other food retailers, Oshawa faced steadily increasing costs of doing business. Wages, salaries and related fringe benefits rose sharply in 1972 as did the cost of purchased goods and services, utilities and municipal taxes. Rising operating expenses were not entirely offset by higher volume and earnings from corporate retail food operations were slightly lower than in the preceding year.

However, an encouraging feature of 1972 was the continued growth and vitality of Oshawa's affiliated dealers. Despite intense chain competition, IGA dealers demonstrated the inherent competitive strength of progressive independent merchants offering a high level of personalized service backed by a strong voluntary group.

Sales to IGA dealers in all franchise territories except the Maritimes reached new highs in 1972, although wholesale profits were reduced by the introduction of several marketing programs designed specifically to assist dealers.

The institutional group enjoyed another good year. Hickeson-Langs Supply Company recorded record sales and earnings, Langs Foods' cold storage facilities operated at capacity and Ontario Produce benefitted from strong demand and firm prices in the produce business.

Performance of the general merchandise group was most encouraging. Towers Department Stores Limited recorded significant gains in sales and earnings, reflecting both rising levels of consumer spending and the development program

of recent years. This has involved significant capital investment in new stores and in modernizing older units, the formulation of sound merchandising programs and a concerted effort to control expenses.

Operating results of Kent Drugs Limited were less satisfactory. Management of this division has been strengthened, unprofitable units closed and new controls instituted. Earnings should improve in 1973.

Oshawa's investment in Consumers Distributing Company (National) Limited has also been rewarding. This company, which commenced operation in 1971, has achieved excellent sales and profits.

Sales

Consolidated sales reached a record $600,385,000 in the fifty-three weeks ended January 27, 1973–an increase of $110,000,000 or 22.4% over the fifty-two weeks ended January 22, 1972. Excluding sales of Codville Distributors Ltd., operating results of which were consolidated from February 28, 1972, sales increased by $64,028,000 or 13.1%.

As shown in the Results in Brief, all major groups recorded sales gains. Wholesale, institutional and retail food sales amounted to $440.4 million or 73.4% of the total, general merchandise $153.4 million or 25.5% and other sales $6.6 million or 1.1%.

Earnings

Earnings before extraordinary income were $6,821,000, up 11.9% over $6,094,000 last year. Earnings per share rose 11.5% to 97¢ on 7,024,990 shares compared with 87¢ on 6,991,515 shares in 1971. Factors contributing to this increase include higher sales, the improved profitability of the general merchandise divisions, a major increase in the contribution from Consumers Distributing Company (National) Limited and lower federal and provincial income tax rates.

Extraordinary income of $2,884,000 brought final net earnings to a record $9,705,000 or $1.38 per share. This was an increase of 57.3% over $6,171,000 or 88¢ last year, when extraordinary income was $77,000 or 1¢ per share. Included in extraordinary income is a $2,622,000 net gain on sale of investments, principally the Company's interest in Baxter Estates Limited.

Dividends

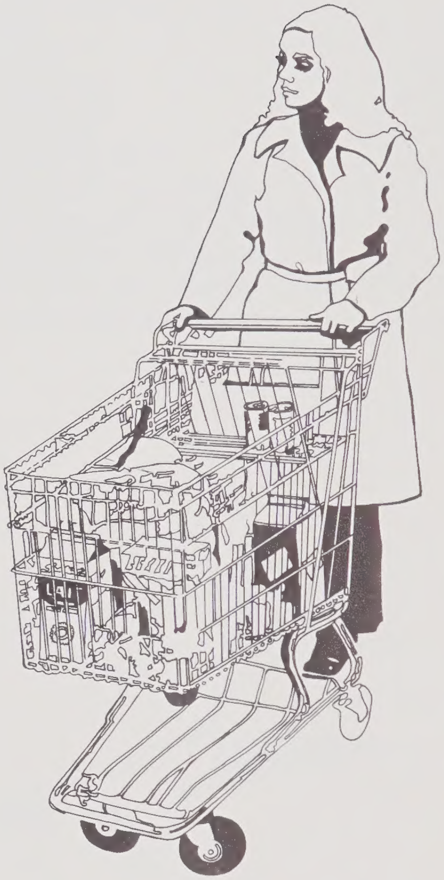
Dividends of 30¢ per share were paid in 1972. In accordance with Company policy of maintaining or improving dividend payout, dividends for the current year have been increased 13.3% to 34¢ per share. This is the 12th increase since dividends began in 1960.

Financial Position

Total assets increased during the year by over $14 million to $202,081,000. The major changes were an increase in merchandise inventories from $38.8 million to $49.9 million due to new store openings and the acquisition of Codville and additions (net of depreciation and disposals) to fixed assets, principally store fixtures and equipment, of $3,732,000.

Working capital at January 27, 1973 amounted to $15,169,000, a decrease of $593,000 from $15,762,000 last year. Cash flow from operations amounted to $17,305,000, the highest in the Company's history. The principal uses of funds were the purchase of fixed assets, $12,163,000; the repayment of term bank indebtedness, $8,750,000; and the payment of dividends, $2,110,000. The various factors which affected working capital are shown in detail in the Consolidated Statement of Source and Use of Funds on Page 12.

Long-term debt, less the amount due within one year, declined $7,013,000 due to the reduction of a term bank loan from $10,000,000 to $1,250,000. This loan may be increased to $9,750,000 in 1973 if required.

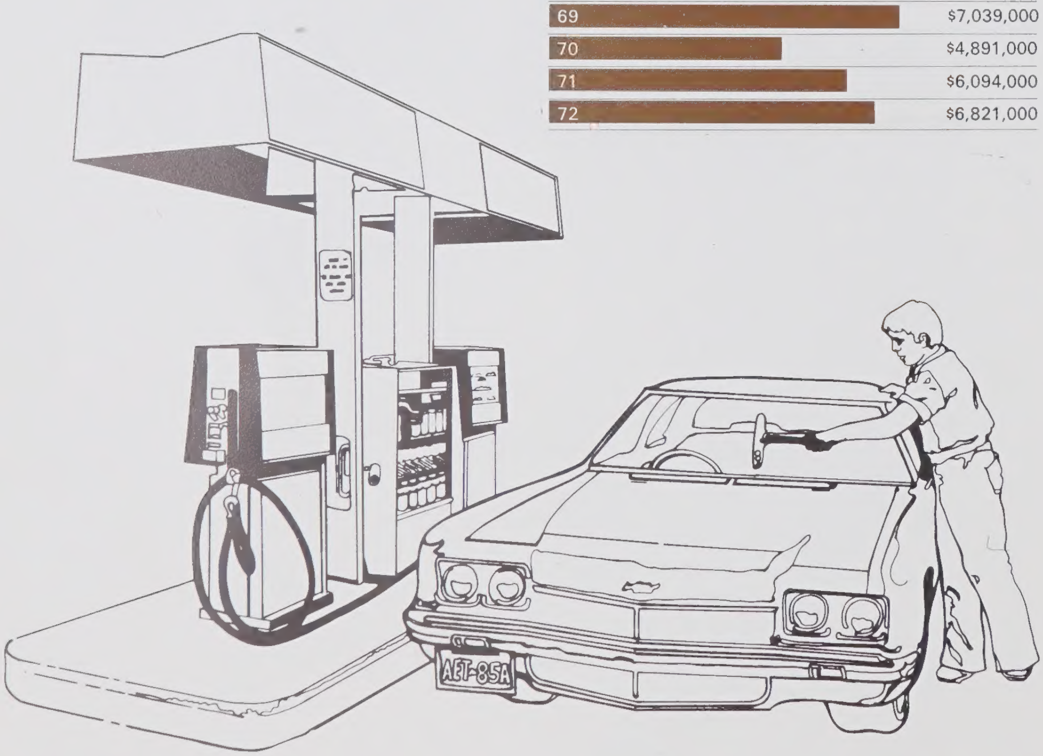


Sales

63	$88,748,000
64	$106,868,000
65	$138,289,000
66	$180,313,000
67	$237,441,000
68	$298,684,000
69	$445,175,000
70	$469,771,000
71	$490,381,000
72	$600,385,000

Earnings Before Extraordinary Income

63	$1,225,000
64	$1,584,000
65	$2,149,000
66	$2,871,000
67	$4,222,000
68	$5,260,000
69	$7,039,000
70	$4,891,000
71	$6,094,000
72	$6,821,000



Shareholders' equity increased during the year by $8,030,000 to $100,536,000, equal to $14.31 per combined Class A and common share. After deducting the "excess of cost of shares in subsidiaries over net book value of underlying assets at date of acquisition," commonly referred to as goodwill, net tangible assets amounted to $67,707,000 or $9.61 per share, as compared with $8.75 a year earlier.

Expansion and Development, 1972
One department store, two discount food markets, two combination food and drug marts, two food specialty stores, three Drug City stores and five restaurant units were opened in 1972. In addition, five department stores and two food markets were renovated.

The franchise dealer programs continued to expand, with a net addition (excluding Codville) of 75 IGA, Handy, Ranch, and National dealers. National Stores are a new group of franchise dealers in Quebec, provided with limited advertising and merchandising programs similar to the Handy group in Ontario.

The acquisition of all the outstanding shares of Codville Distributors Ltd. was successfully completed during the year. In October, Codville purchased the outstanding shares of Midland Fruit Co. Ltd., a wholesale produce and grocery company serving retail and institutional customers in Winnipeg and Thompson, Manitoba and Kenora and Red Lake, Ontario. Subsequent to year end, Midland purchased the assets of Allied Fruit & Produce Ltd., a Winnipeg-based produce wholesaler. Codville now provides a total grocery and produce service to its customers.

Coinamatic Laundry Equipment Limited, which enjoyed an excellent year in 1972, purchased the outstanding shares of Nortex of Canada Ltd., supplier of soaps, detergents, bleaches and laundry bags to coin laundries in the United Kingdom. Coinamatic also purchased certain of the assets of GSW Ltd., which markets mini coin laundries.

Expansion and Development, 1973

The expansion program for 1973 is the most ambitious in the Company's history. Highlighted by the opening of the first hypermarket in North America (see President's Outlook, Page 7), it also includes two department stores, two drug stores, two discount food markets, five combination food and drug marts, ten IGA markets, seven restaurants and nine fast food kiosks and three gas bars. In addition, a number of existing units will be expanded and renovated and warehouses in Winnipeg, Hamilton and London enlarged.

Consumers Distributing Company (National) Limited

Consumers Distributing Company (National) Limited, in which Oshawa has a 50% interest, opened 17 catalogue showrooms during the year, bringing the number in operation to 26. Twenty-four of these are located in Quebec and two in the Maritimes.

Sales in the fiscal year ended December 31, 1972 were $17.7 million, while net earnings after taxes were $901,000 or 5.1%. The financial statements of Consumers Distributing Company (National) Limited are not consolidated, but Oshawa's share of net earnings, amounting to $451,000, has been recorded in the statement of earnings.

Because of enthusiastic consumer acceptance of this form of retailing and the high return on capital, an aggressive development program will be pursued throughout Canada. An additional 22 showrooms, including the first in western Canada, will be opened in 1973.

During the year, Oshawa's advances were repaid from the proceeds of bank financing arranged for Consumers Distributing (National). Oshawa has guaranteed this financing to a limit of $3,000,000, but its direct investment at year end was nominal.

Net Earnings

63	$1,187,000
64	$1,577,000
65	$2,144,000
66	$2,902,000
67	$4,760,000
68	$5,791,000
69	$7,508,000
70	$5,099,000
71	$6,171,000
72	$9,705,000

Income Taxes

63	$1,303,000
64	$1,698,000
65	$2,487,000
66	$2,998,000
67	$4,025,000
68	$5,709,000
69	$7,926,000
70	$6,082,000
71	$5,793,000
72	$5,437,000

Net Earnings Per Share

63	$ .26
64	$ .34
65	$ .46
66	$ .59
67	$ .91
68	$1.03
69	$1.08
70	$ .73
71	$ .88
72	$1.38

Cash Flow

63	$1,767,000
64	$2,256,000
65	$3,138,000
66	$4,342,000
67	$7,591,000
68	$9,369,000
69	$13,198,000
70	$10,926,000
71	$11,799,000
72	$17,305,000

Amortization and Depreciation

63	$535,000
64	$661,000
65	$1,011,000
66	$1,505,000
67	$2,803,000
68	$3,543,000
69	$5,061,000
70	$6,104,000
71	$6,493,000
72	$7,485,000

Shareholders' Equity Per Share

63	$1.34
64	$1.65
65	$2.33
66	$2.87
67	$4.87
68	$9.23
69	$12.15
70	$12.59
71	$13.23
72	$14.31

Total Assets

63	$12,575,000
64	$16,281,000
65	$25,412,000
66	$38,891,000
67	$61,673,000
68	$92,413,000
69	$134,874,000
70	$151,545,000
71	$187,603,000
72	$202,081,000

Baxter Estates Limited

In December, the Company sold its investment in Baxter Estates Limited, consisting of 550,000 common shares and $2,000,000 serial debentures, for $4,750,000 cash, thereby realizing a capital gain of $2,345,000. Since the next phase of Baxter Estates' growth required substantial financial commitments by Oshawa, it was decided to sell this investment to provide funds for internal development.

Special Meeting of Shareholders

On December 4, 1972, Class A shareholders approved a Special Resolution amending the Articles of the Corporation to permit purchase for cancellation of Class A shares as provided by the Ontario Business Corporations Act. This amendment does not give the Company the right to call Class A shares for redemption or to expropriate shares in any way. The Company is simply in a position to acquire shares if, in the opinion of the Directors, it becomes desirable to do so, but only from those shareholders who wished to sell. Any reduction in shares outstanding would normally result in increased earnings and equity per share on the remaining shares.

Acknowledgement

We record with gratitude the generous and encouraging support of customers, shareholders, suppliers, and staff.

President's Outlook

With high food prices very much in the news and governments, consumer groups and the media all seeking both cause and cure for what is generally recognized as an international problem, it is important to consider what the food industry can do to stem the rising trend of food prices, provide the convenience and service which the Canadian consumer expects and still remain viable.

Apart from encouraging greater production and limiting population growth, there is virtually no way to satisfy the spiralling demand for protein, occasioned by the growing affluence of European nations, the Soviet Union and Japan and rising populations elsewhere. Escalating demand for grain-based foods, such as meat, dairy products and eggs, virtually assures that prices will not only remain high but will rise even more. Where supply and demand are the principal determinants of price, the primary role of the food distributor is to keep distribution and merchandising costs at an absolute minimum. Fortunately, new technology, new systems and new retail vehicles are available to assist this process and Oshawa is pioneering their use.

In distribution, systems were developed in 1972 to establish output norms, which when related to volume forecasts enable the Company to improve scheduling of warehouse and delivery labor and improve productivity.

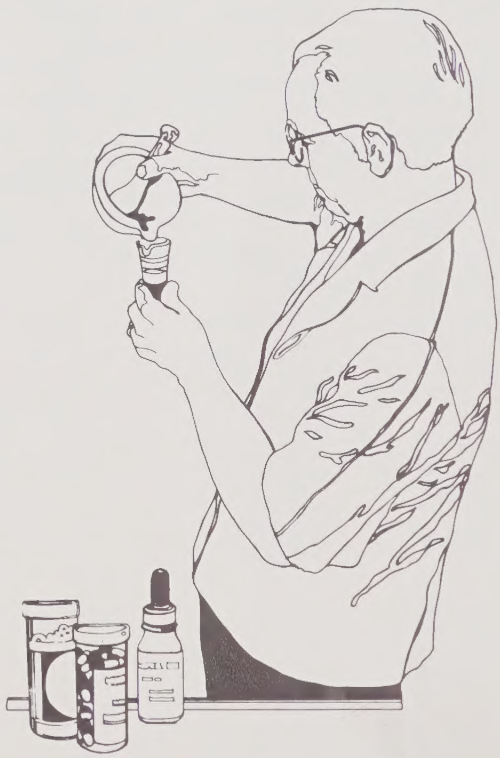
Further efficiencies are expected in 1974 when new grocery distribution centres are completed in Mississauga and Dartmouth. Both warehouses will incorporate the latest improvements in layout and materials handling equipment and the Mississauga warehouse will be semi-automated.

In corporate stores, an ongoing program was introduced which evaluates systems, methods, procedures and controls to improve operating efficiency while maintaining customer service standards.

During the year, the "Cosmos" management information system (developed by the National Association of Food Chains) was introduced in the Food City chain. By analysing product movement, Cosmos minimizes stock-outs and maximizes shelf utilization. The system also analyses item performance to improve control of pricing, promotion and product mix.

Perhaps the most dramatic breakthroughs, however, are the related developments of the electronic cash register or point-of-sale terminal and the automated check-out.

After many years of debate and evaluation, the grocery industry has adopted a Universal Product Code and a symbol which conveys the code in machine readable form. The code, a numbering system that identifies nearly every item sold by grocery retailers, and its companion symbol will be marked on consumer packages by the grocery manufacturer. The symbol will be read by a scanning



device linked to the cash register. The speed and accuracy of this process will at long last substantially reduce tedious lineups and will result in increased checker productivity, lower price marking costs and improved inventory control.

In general merchandise retailing, the advantage of electronic cash registers is the ability to capture data accurately in a form that can be fed to a computer at minimal cost. This data then becomes a "base" for the development of more sophisticated merchandise, accounting and credit systems.

Two Towers stores were equipped with electronic terminals in 1972. Oshawa intends to continue installations in all new corporate stores, both food and general merchandise.

Other developments are also having a substantial impact on food retailing. The unusually severe competition of recent years led to the closing of many small chain units. This had two results. First, it broadened the trading area of many existing franchise stores and secondly, it provided opportunity for opening of new locations. With most chains moving to larger units, a new impetus for growth has been given to the independent grocer. In consequence, Oshawa's wholesale food divisions are experiencing renewed vitality in their franchise programs.

Oshawa too has moved to larger units. New corporate stores range in size from 25,000 to 45,000 square feet and include in-store bakeries, delicatessens, a wide range of fast-moving, non-food items and in many instances, pharmacies. This mix is designed to compensate for the relatively low margins on food products.

Finally, Oshawa is moving into a new generation of retailing—the hypermarket generation. The first hypermarket in North America will open in October in Laval, Quebec, in the centre of a populous trading area. This 240,000 square-foot unit will anchor a 540,000 square-foot enclosed shopping mall which also includes a large Leon's Furniture outlet and 60 specialty and service stores.

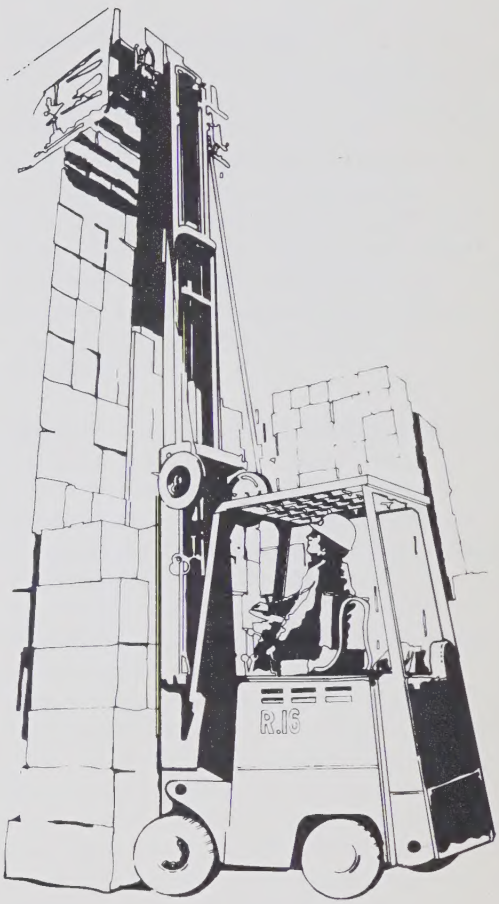
The hypermarket will employ unique fixturing and layout to present, in one store, a broad range of food and general merchandise. By emphasizing high volume and eliminating many traditional distribution costs, the hypermarket will provide excellent values in an exciting shopping environment.

Oshawa believes the introduction of the hypermarket is a retailing watershed, comparable in significance to the introduction of the supermarket and the discount department store. Other hypermarkets ranging in size from 100,000 to 240,000 square feet are being planned.

New technology, new systems and new retail vehicles are Oshawa's response to the challenges of the '70s and combine to make 1973 one of the most exciting years in the Company's history.

Ray D. Wolfe
President

May 16, 1973



Consolidated Statement of Earnings

(in thousands of dollars)	Year Ended January 27, 1973 (53 Weeks)	Year Ended January 22, 1972 (52 Weeks)
Sales	$600,385	$490,381
Cost of Sales and Expenses		
Cost of sales, operating and administrative expenses before the undernoted items	577,223	471,146
Interest on long term debt	4,225	2,199
Other interest	900	1,302
Depreciation (Note 3)	7,394	6,242
	589,742	480,889
	10,643	9,492
Interest and dividends earned	1,188	1,857
Share of Net Earnings of Consumers Distributing Company (National) Limited (Note 2)	451	164
Earnings before income taxes, minority interest and extraordinary income	12,282	11,513
Income taxes	5,437	5,793
Earnings before minority interest and extraordinary income	6,845	5,720
Minority interest in earnings (losses) of subsidiaries	24	(374)
Earnings before extraordinary income	6,821	6,094
Extraordinary income (Note 10)	2,884	77
Net earnings	$ 9,705	$ 6,171
Earnings per share before extraordinary income (Note 11)	$ .97	$ .87
Earnings per share (Note 11)	$1.38	$ .88
Average number of shares outstanding	7,024,990	6,991,515

Consolidated Statement of Retained Earnings

(in thousands of dollars)	Year Ended January 27, 1973 (53 Weeks)	Year Ended January 22, 1972 (52 Weeks)
Retained Earnings at Beginning of Year	$ 31,228	$ 26,805
Add: Net earnings for year	9,705	6,171
	40,933	32,976
Deduct:		
Dividends—Class A Shares	2,059	1,705
Dividends—Common Shares	51	43
	2,110	1,748
Retained Earnings at End of Year	$ 38,823	$ 31,228

The accompanying notes are an integral part of the Consolidated Financial Statements

Consolidated Balance Sheet
as at January 27, 1973

Assets (in thousands of dollars)	January 27, 1973	January 22, 1972
Current Assets		
Cash	$ 619	$ 581
Deposit receipts	—	4,338
Marketable securities (market value 1973–$73; 1972–$198)	70	239
Accounts receivable	15,974	12,266
Income taxes recoverable	1,509	—
Loans and mortgages receivable–current portion	1,687	1,372
Inventories–lower of cost and net realizable value	49,949	38,794
Prepaid expenses and supplies	2,286	2,185
	72,094	59,775
Deferred Assets and Investments		
Loans and mortgages receivable	8,881	11,879
Cash surrender value of life insurance	263	248
Deferred rent and financing costs	955	1,046
Shares in Consumers Distributing Company (National) Limited (Note 2)	616	165
Other investments–cost	1,231	1,764
	11,946	15,102
Fixed Assets		
Land–cost	17,040	15,114
Buildings–cost	42,922	42,010
Fixtures and equipment–cost	38,436	33,508
Automotive equipment–cost	3,476	2,783
Leasehold improvements–cost	10,008	9,248
	111,882	102,663
Less: Accumulated depreciation (Note 3)	26,670	21,183
	85,212	81,480
Excess of Cost of Shares in Subsidiaries over Net Book Value of Underlying Assets at date of Acquisition (Note 1)	32,829	31,246
	$202,081	$187,603

The accompanying notes are an integral part of the Consolidated Financial Statements

Liabilities (in thousands of dollars)			January 27, 1973	January 22, 1972
Current Liabilities				
Bank indebtedness (Note 4)			$ 4,689	$ 2,642
Short term notes payable			9,450	4,110
Accounts payable and accrued liabilities			40,582	35,461
Income taxes payable			–	300
Current portion of long term debt			2,204	1,500
			56,925	44,013
Long Term Debt				
Bank indebtedness (Note 4)			1,755	10,505
Notes and mortgages payable (Note 5)			19,250	16,809
Series A Debentures (Note 6)			20,000	20,000
5½% Subordinated Convertible Sinking Fund Debentures (Note 7)			4,025	4,025
			45,030	51,339
Less: Current portion			2,204	1,500
			42,826	49,839
Deferred Income Taxes			1,642	1,076
Minority Interest in Subsidiaries			152	169
Shareholders' Equity				
Capital Stock (Note 8)				
Authorized				
12,200,000 Class A non-voting shares, without par value				
912,000 Common Shares, without par value				
Issued	January 27, 1973	January 22, 1972		
Class A Shares	6,872,428	6,832,148	61,669	61,234
Common Shares	171,376	171,376	44	44
			61,713	61,278
Retained Earnings			38,823	31,228
			100,536	92,506
			$202,081	$187,603

Approved on Behalf of the Board

Ray D. Wolfe, Director
William L. Atkinson, Director

Consolidated Statement of Source and Use of Funds

(in thousands of dollars)	Year Ended January 27, 1973 (53 Weeks)	Year Ended January 22, 1972 (52 Weeks)
Source of Funds		
Operations		
Net earnings for year	$ 9,705	$ 6,171
Items not requiring cash outlay:		
Depreciation	7,394	6,242
Amortization of deferred expenses	91	251
Deferred income taxes	566	(701)
Share of net earnings of Consumers Distributing Company (National) Limited	(451)	(164)
Total funds from operations	17,305	11,799
Other		
Reduction of loans and mortgages receivable	2,998	–
Reduction of investments	533	–
Disposal of fixed assets	1,037	2,626
Increase in notes and mortgages payable	1,737	8,315
Long term bank loan	–	10,000
Issue of Series A Debentures	–	20,000
Issue of Class A Shares	435	156
	24,045	52,896
Use of Funds		
Increase in loans and mortgages receivable	–	2,728
Deferred rent and financing costs	–	967
Increase in investments	–	261
Purchase of fixed assets	12,163	38,578
Increase in excess of cost of shares in subsidiaries over net book value of underlying assets at date of acquisition	1,583	70
Reduction of long term bank loan	8,750	–
Dividends to shareholders	2,110	1,748
Sundry items	32	23
	24,638	44,375
Increase (Decrease) in Working Capital	$ (593)	$ 8,521
Working capital at end of year	$ 15,169	$ 15,762
Working capital at beginning of year	15,762	7,241
Increase (Decrease) in Working Capital	$ (593)	$ 8,521

The accompanying notes are an integral part of the Consolidated Financial Statements

Notes to Consolidated Financial Statements

as at January 27, 1973

1. Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiary companies. These include the following principal subsidiaries:

Bolands Limited
Codville Distributors Ltd.
Coinamatic Laundry Equipment Limited
E. W. Hickeson & Co. Limited
Hudon et Orsali Limitée
Kent Drugs Limited
Langs Foods Limited
Marchland Holdings Limited
Oshawa Properties Limited
The Ontario Produce Company Limited
Towers Department Stores Limited

During the year the Company acquired all the shares of Codville Distributors Ltd. for $3,608,000 cash, of which $1,127,000 was allocated to "excess of cost of shares in subsidiaries over net book value of underlying assets at date of acquisition" and the remainder to the book value of the assets. The Company uses the purchase method in accounting for acquisitions and accordingly, the financial statements reflect the operating results of this subsidiary from the date of acquisition, February 28, 1972. The Company also made a number of smaller acquisitions during the year in which a total of $456,000 was allocated to "excess of cost of shares in subsidiaries over net book value of underlying assets at date of acquisition." The Company has no present plan for the amortization of this asset.

Current assets and current liabilities of the foreign subsidiaries have been converted to Canadian dollars at rates of exchange prevailing at January 27, 1973; fixed assets with related provisions for depreciation have been converted at rates current at date of acquisition. Income and expense items have been converted at the average rate of exchange prevailing during the year.

2. Shares in Consumers Distributing Company (National) Limited

The Company has a 50% interest in Consumers Distributing Company (National) Limited as follows:

	1973	1972
Common Shares—cost	$ 1,000	$ 1,000
Equity in Retained Earnings	615,000	164,000
	$616,000	$165,000

The Company's share of the net earnings of Consumers Distributing Company (National) Limited for the year ended December 31, 1972 amounting to $451,000 has been included in the consolidated statement of earnings.

3. Depreciation

The Company depreciates its fixed assets on the straight line method at rates appropriate to geographic location and type of business and sufficient to amortize the cost of the assets over their estimated useful life.

4. Bank Indebtedness

The current bank indebtedness of the Company and certain subsidiaries is secured by a general assignment of their book debts.

The long term bank indebtedness consists of the following:

A loan of $505,000 repayable in 1978, secured by a pledge of securities.

A loan of $1,250,000 repayable in 1977, secured by a mortgage on two properties. The Company has the right to increase this loan to $9,750,000.

5. Notes and Mortgages Payable

These obligations bear interest at an average rate of 8.7% per annum, have maturity dates ranging to 2002 and provide for principal repayments as follows:

1974	$ 2,204,000
1975	1,335,000
1976	3,218,000
1977	478,000
1978	1,010,000
1979 to 2002	11,005,000
	$19,250,000

6. Series A Debentures

These debentures are secured by a floating charge on the undertaking and assets of the Company and consist of the following:

Description	Amount	Interest Rate	Maturity Date
Series A Serial Debentures	$ 5,000,000	8¼%	$1,000,000 on June 15 in each of the years 1975 to 1979 inclusive
Series A Sinking Fund Debentures	15,000,000	9¼%	June 15, 1991
	$20,000,000		

The serial debentures are not redeemable prior to maturity.

The Company has covenanted to retire $10,000,000 principal amount Sinking Fund Debentures prior to maturity as follows:

1978 and 1979	$ 250,000 in each year
1980 to 1982	$ 500,000 in each year
1983 to 1990	$1,000,000 in each year

In addition to the mandatory sinking fund payments referred to above, the Company has the non-cumulative right to retire up to $500,000 principal amount of Sinking Fund Debentures in each of the years 1976 to 1985.

Financing costs of this Issue are being amortized over the terms of the debentures. Amortization for the current year amounted to $42,000.

7. 5½% Subordinated Convertible Sinking Fund Debentures

The Company has outstanding $4,025,000 of 5½% Subordinated Convertible Sinking Fund Debentures due November 15, 1986. Annual sinking fund payments of $500,000 commence November 15, 1977. Under the provisions of the Trust Indenture, $3,975,000 debentures converted by the holders are available to the Company as a credit against sinking fund payments. The debentures are convertible into Class A Shares as follows:

Up to November 15, 1976 at $14 per share;
November 16, 1976 to November 15, 1981 at $15½ per share;
November 16, 1981 to November 15, 1986 at $17 per share.

8. Capital Stock

Class A Shares

The Class A Shares are non-voting, participating and entitled to a non-cumulative annual dividend of 1¼¢ per share in priority to payment of dividends on the common shares.

During the year, 40,280 Class A Shares were issued for $435,000 cash under the Executives' and Key Employees' Plan 1966.

The Company has reserved 347,700 Class A Shares for issue under the Executives' and Key Employees' Plan 1966. As at January 27, 1973, options for 198,290 Class A Shares were outstanding under this plan, exercisable over various periods to 1978 at prices ranging from $9.80 to $12.82 per share.

The Company has reserved 287,500 Class A Shares for conversion of the 5½% Subordinated Convertible Sinking Fund Debentures and a further 630,063 Class A Shares for the exercise of the Series A Warrants.

Series A Warrants

The Company has authorized the issue of Series A Warrants entitling the holders thereof to purchase in the aggregate 700,000 Class A Shares. The holder of each warrant is entitled to purchase one Class A Share of the Company during the undernoted periods at the undernoted prices:

Up to February 28, 1974	$50
From March 1, 1974 to February 28, 1975	$55
From March 1, 1975 to February 29, 1976	$60
From March 1, 1976 to February 28, 1977	$65
From March 1, 1977 to February 28, 1978	$70
From March 1, 1978 to February 28, 1979	$75

The warrants expire February 28, 1979

As at January 27, 1973, 630,063 Series A Warrants were outstanding.

9. Sales

Sales for each of the major segments of the Company were as follows:

	1973		1972	
	Amount	%	Amount	%
Wholesale, Institutional and Retail Food	$440,432,000	73%	$351,479,000	72%
General Merchandise	153,376,000	26%	131,048,000	26%
Other	6,577,000	1%	7,854,000	2%
	$600,385,000	100%	$490,381,000	100%

10. Extraordinary Income

This consists of the following:

	Year Ended January 27, 1973	Year Ended January 22, 1972
Gain on sale of stores and properties, net of income taxes [1973–($146,000); 1972–$96,000]	$ 198,000	$ 232,000
Gain on sale of marketable securities and investments, net of income taxes of $100,000 (Note 13)	2,622,000	–
Provision for loss incurred by the trustee pursuant to an employee stock purchase plan (Note 13)	(50,000)	(270,000)
Loss on discontinuance of modular construction division, net of income taxes recovered (1973–$160,000; 1972–$332,000)	(169,000)	(319,000)
Foreign exchange loss on conversion of the accounts of a subsidiary	(63,000)	–
Income tax reductions on application of prior years' losses	346,000	434,000
	$2,884,000	$ 77,000

11. Fully Diluted Earnings Per Share

If it were assumed that all the 5½% Subordinated Convertible Sinking Fund Debentures outstanding at January 27, 1973 had been converted into Class A Shares as of January 23, 1972 and all stock options outstanding as at January 27, 1973 had been exercised as of January 23, 1972, the earnings per share for the year would have been as follows:

Earnings before extraordinary income	$ .93
Net earnings for the year	1.32

For the purpose of calculating the fully diluted earnings per share, the earnings were increased by the interest, after income taxes, on the 5½% Subordinated Convertible Sinking Fund Debentures and by imputed interest after income taxes, assuming that the funds derived from the exercise of the stock options were invested to produce an annual return of 7% before income taxes.

The number of Class A Shares was adjusted to reflect the additional shares that would have resulted from the foregoing.

12. Leases

The minimum rentals payable exclusive of additional amounts based on percentage of sales, taxes, insurance and other occupancy charges under long term leases in effect January 27, 1973 for store locations, office and warehouse facilities are as follows:

1974	$ 7,964,000
1975-1979	32,860,000
1980-1984	27,528,000
1985-1989	17,327,000
after 1990	14,659,000

In addition the Company has signed leases or agreements to lease for new store locations and other facilities which when occupied will have a minimum annual rental of approximately $1,300,000.

It is expected that annual rental revenue of $2,874,000 will be received from locations that have been sublet.

13. Contingent Liabilities and Commitments

The Company has guaranteed the bank loan of Consumers Distributing Company (National) Limited to a limit of $3,000,000 and has agreed under certain conditions to advance or arrange financing for the 1973 expansion program of this company. In addition, the Company has guaranteed long-term leases of Consumers Distributing Company (National) Limited having a minimum annual rental of approximately $500,000.

The Company has a 50% interest in Hypermarché Laval Inc., which is developing a shopping centre in Laval, Quebec at an estimated cost of $8,450,000, financed by an $8,000,000 term bank loan. Under the loan agreement, the Company is committed to pay one-half of the completion costs in excess of the loan and to meet one-half of any deficiency between rental income and interest, standby fees and operating costs.

During the year, the Company sold its shares and debentures in Baxter Estates Limited, realizing extraordinary income of $2,345,000 which in the Company's opinion is a non-taxable capital gain. If this transaction were taxable, the Company would be liable for income taxes up to a maximum of $1,137,000, and the current year's extraordinary income would be reduced accordingly.

The Company has guaranteed any losses incurred by the trustee pursuant to an employee stock purchase plan. Provision has been made in the accounts for an estimated loss of $320,000 of which $50,000 pertains to the current year (Note 10).

14. Remuneration of Directors and Senior Officers

The aggregate direct remuneration paid during the year by the Company to the directors and senior officers of the Company as defined by the Ontario Business Corporations Act was $670,000 (1972—$539,000).

15. Comparative Figures

The figures for the previous year have been reclassified where necessary to conform with the current year's presentation.

Auditors' Report To The Shareholders

We have examined the consolidated balance sheet of The Oshawa Group Limited and its subsidiary companies as at January 27, 1973, and the consolidated statements of earnings, retained earnings, and source and use of funds for the year then ended. Our examination of the financial statements of The Oshawa Group Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at January 27, 1973 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Wm. Eisenberg & Co.
Chartered Accountants

Toronto, Canada
April 16, 1973

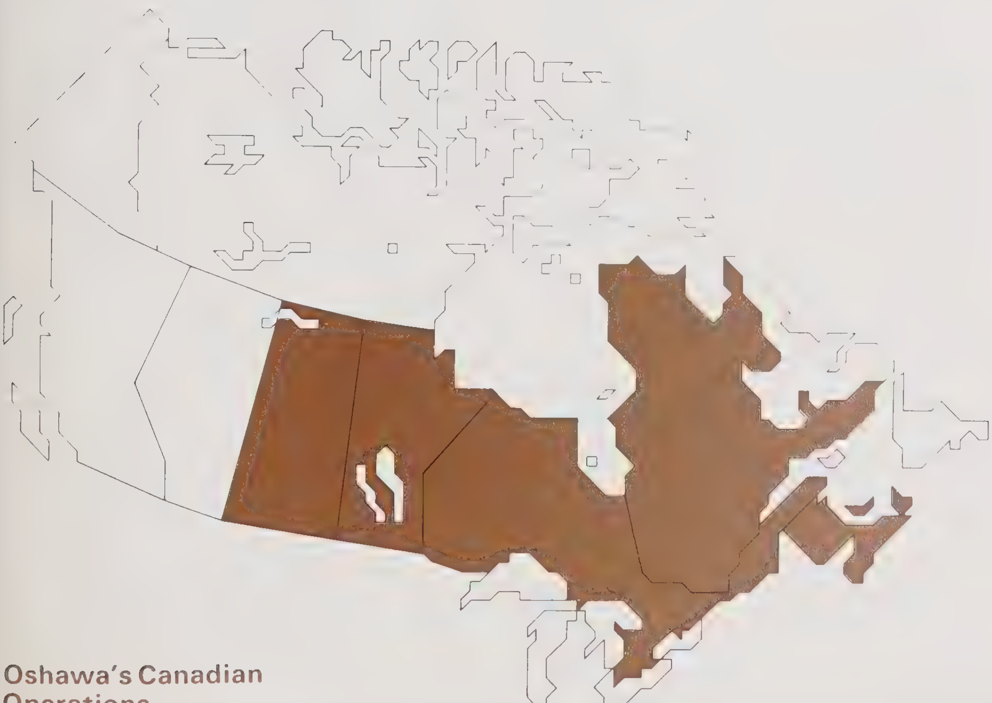
Ten Year Comparative Summary

(in thousands of dollars except per share data)

Year Ended	Sales	Amortization and Depreciation	Income Taxes	Earnings Before Extraordinary Income	Earnings Per Share Before Extraordinary Income*	Earnings Before Extraordinary Income as a % of Sales	Net Earnings	Net Earnings Per Share *†	Cash Flow	Total Dividends	Dividend Per Shar
Jan. 27, 1973	$600,385	$7,485	$5,437	$6,821	.97	1.14	$9,705	$1.38	$17,305	$2,110	30.0
Jan. 22, 1972	490,381	6,493	5,793	6,094	.87	1.24	6,171	.88	11,799	1,748	25.0
Jan. 23, 1971	469,771	6,104	6,082	4,891	.70	1.04	5,099	.73	10,926	1,747	25.0
Jan. 24, 1970	445,175	5,061	7,926	7,039	1.01	1.58	7,508	1.08	13,198	1,528	22.0
Jan. 25, 1969	298,684	3,543	5,709	5,260	.94	1.76	5,791	1.03	9,369	1,020	18.0
Jan. 27, 1968	237,441	2,803	4,025	4,222	.81	1.78	4,760	.91	7,591	690	13.0
Jan. 28, 1967	180,313	1,505	2,998	2,871	.59	1.59	2,902	.59	4,342	490	10.0
Jan. 22, 1966	138,289	1,011	2,487	2,149	.46	1.55	2,144	.46	3,138	426	9.0
Jan. 23, 1965	106,868	661	1,698	1,584	.34	1.48	1,577	.34	2,256	289	6.5
Jan. 25, 1964	88,748	535	1,303	1,225	.27	1.38	1,187	.26	1,767	229	5.0

*Combined Class A and Common. †Figures for previous years have been adjusted for the two-for-one stock splits of June 9, 1964; October 21, 1965 and October 11, 1967. Net earnings Per Share and Shareholders' Equity Per Share have been calculated on the average number of shares outstanding during the year rather than on the shares outstanding at the end of the year.

einvested in Business	Shares *†	Shareholders' Equity	Shareholders' Equity Per Share *†	High–Low Stock Price	Total Assets	Current Assets	Current Liabilities	Working Capital	Current Ratio	Salaries, Wages, Benefits	Number of Regular Employees
$7,595	7,024,990	$100,536	$14.31	14¾–10¼	$202,081	$72,094	$56,925	$15,169	1.27:1	$57,920	6,246
4,423	6,991,515	92,506	13.23	8¾–14⅜	187,603	59,775	44,013	15,762	1.36:1	50,169	5,602
3,352	6,981,908	87,927	12.59	25⅛– 9½	151,545	57,356	50,115	7,241	1.14:1	46,881	6,316
5,980	6,942,502	84,330	12.15	36⅜–22	134,874	47,176	38,629	8,547	1.22:1	40,794	7,011
4,771	5,609,276	51,770	9.23	45¾–27¼	92,413	40,591	30,804	9,787	1.32:1	27,705	4,791
4,070	5,226,648	25,478	4.87	32¼–12⅜	61,673	34,368	23,148	11,220	1.48:1	19,722	3,092
2,412	4,877,247	14,020	2.87	15¼–11	38,891	21,084	13,257	7,827	1.59:1	12,051	2,085
1,718	4,686,344	10,932	2.33	15 – 8½	25,412	12,732	10,719	2,013	1.19:1	8,044	1,654
1,288	4,608,977	7,609	1.65	9⅛– 5	16,281	9,833	7,486	2,347	1.31:1	5,265	1,001
958	4,537,326	6,097	1.34	5½– 3¾	12,575	7,549	5,497	2,052	1.37:1	4,239	722



Oshawa's Canadian Operations

Atlantic Provinces
IGA Markets 40
Towers Discount Department Stores 1
Restaurants 1
Non-affiliated Food Stores 43
Catalogue Showrooms 2
Distribution Centres 1

Quebec
IGA Markets 152
Bonimart Foods 4
National Markets 26
Cash & Carry Outlets 6
Non-affiliated Food Stores 98
Bonimart Discount Department Stores 6
Restaurants 14
Catalogue Showrooms 24
Distribution Centres 2

Ontario
IGA Markets 139
Food City Markets, Bonimart Foods 36
Ranch Supermarkets 6
Handy Markets 29
Non-affiliated Food Stores 45
Towers Discount Department Stores 27
Pharmacies 26
Drug City Marts 8
Stripe Health & Beauty Aid Stores 9
Restaurants 47
Gas Stations 9
Distribution Centres 5

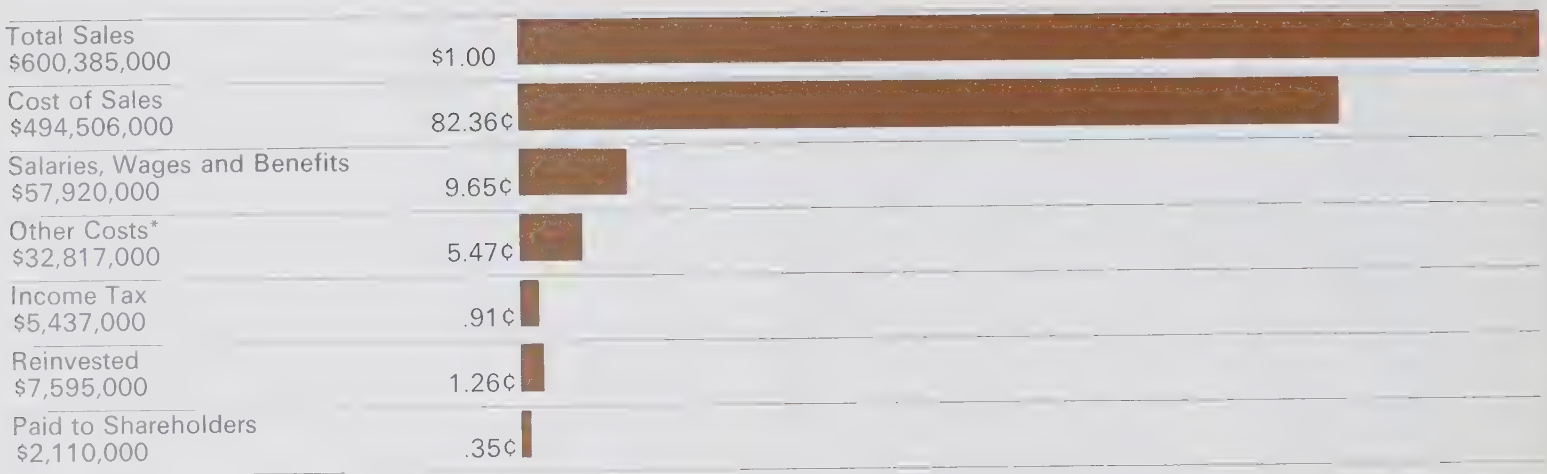
Northwestern Ontario
IGA Markets 5
Much More Markets 26
Non-affiliated Food Stores 5

Manitoba
IGA Markets 28
Locomart Warehouse Stores 5
Cash & Carry Outlets 2
Much More Markets 139
Non-affiliated Food Stores 47
Distribution Centres 1

Saskatchewan
IGA Markets 58
Locomart Warehouse Stores 2
Cash & Carry Outlets 4
Much More Markets 45
Non-affiliated Food Stores 303
Distribution Centres 2

Distribution of Sales Dollar

For the year ended January 27, 1973



*Net of extraordinary income.

Oshawa Operations

The Oshawa Group Limited is a diversified merchandising company engaged primarily in the wholesale distribution of food and the operation of food, department and drug stores. The Company is organized on a divisional basis into three major groups, Wholesale and Retail Food, Institutional Food and General Merchandise, which together account for 99% of total sales of $600,385,000.

Wholesale and Retail Food Group
The Wholesale and Retail Food Group consists of the Ontario Food Division in Ontario, Hudon et Orsali Limitée in Quebec, Bolands Limited in the Atlantic Provinces and Codville Distributors Ltd. in Manitoba, Saskatchewan and Northwestern Ontario. At year end these divisions supplied 696 franchised food outlets of which 399 were IGA markets, and 80 Company-owned units including 37 Food City and three Bonimart stores.

These stores are serviced from seven distribution centres in Toronto, Mississauga, Montreal, Dartmouth, Winnipeg, Regina and Saskatoon which have a total area of 940,000 square feet and constitute one of the largest integrated food distribution systems in Canada.

Institutional Food Group
The Institutional Food Group is engaged in packaging vegetables, growing mushrooms and distributing a wide variety of foods for the institutional trade and for the Company's wholesale and retail food divisions.

The Ontario Produce Company Limited supplies domestic and imported fresh fruit and vegetables to independent retailers, jobbers, chain stores and institutions. Its vegetable packaging plant in Bradford, Ontario serves both domestic and export markets and a subsidiary, Dominion Mushroom Company Limited, operates a mushroom farm at Pickering, Ontario.

Hickeson-Langs Supply Company serves schools, hospitals, hotels, restaurants, caterers and other institutional accounts with groceries, meat, produce and frozen foods from Toronto, Hamilton and London, Ontario distribution centres.

Langs Foods Limited, whose storage capacity was increased in 1972 from 2,400,000 to 2,700,000 cubic feet, provides meat, vegetable, fruit and juice processors with blast freezing and frozen storage facilities.

The Dispenser Division sells juice and coffee concentrates and leases juice dispensers to institutional customers.

The Linen Services Division supplies uniforms, work clothes and linens to industries, institutions, hotels, restaurants and food markets.

General Merchandise Group
At year end, Towers Department Stores Limited operated 34 Towers and Bonimart discount department stores in Ontario, Quebec and Nova Scotia having a total selling area of approximately 2,000,000 square feet. An additional Towers unit, the first in New Brunswick, opened in Saint John early in 1973.

Kent Drugs Limited operates pharmacies in 22 Towers stores and four Food City Family Centres, eight Drug City discount stores and nine Stripe health and beauty aid outlets. A ninth Drug City mart in Saint John and a fifth Family Centre pharmacy in Hamilton opened in the current year.

The Restaurant Division at year end operated 39 cafeterias and snack bars, 13 coffee shops, four free standing restaurants and six fast food kiosks.

The Automotive Service Division operates seven gas bars on shopping centre parking lots and two free-standing service stations.

Other Interests
Coinamatic Laundry Equipment Limited, a 90% owned English subsidiary, distributes laundry and dry cleaning equipment and supplies to the coin laundry industry and institutional accounts, and is exclusive distributor for certain U.S. and Swiss manufacturers. Coinamatic also operates coin laundries in the U.K. and West Germany.

Comserve Limited provides industry and governments with computer systems consulting and programming services and markets software packages–generalized programs that increase the effectiveness of computers and their users.

Consumers Distributing Company (National) Limited, jointly owned by Oshawa and Consumers Distributing Company Limited, operates 26 catalogue showrooms in Quebec and Nova Scotia.

Marchland Holdings Limited owns Sudbury City Centre, consisting of an enclosed downtown shopping mall, hotel, offices, theatres and parking garage, as well as four Towers-Food City shopping centres, five Food City markets and several parcels of land for future development.

Other Company real estate subsidiaries, the most important of which is Oshawa Properties Limited, develop commercial property for Company use and currently own nine shopping centres, a cold storage warehouse and laundry.

Except where noted, all subsidiaries are 100% owned.

Directors

Max Wolfe
Honorary Chairman of the Board

*William L. Atkinson
Murray C. Goldman
William Sherman
*Albert Shifrin, Q.C.
Harold J. Wolfe
Harvey S. Wolfe
Jack B. Wolfe
Leonard Wolfe
Ray D. Wolfe
*Harry L. Wolfson

*Audit Committee

Corporate Management

Ray D. Wolfe,
President
Paul Manovitz,
Executive Assistant
Sam Crystal,
Director Public Affairs

William L. Atkinson,
Executive Vice President Finance
Murray C. Goldman,
Treasurer
E. L. Besler, C.A.,
Group Controller
Saul Cooper,
Director Information Services
Leonard Eisen, C.A.,
Assistant Treasurer
Kenneth F. Hastings, C.A.,
Director Corporate Accounting
G. Michael Moffat,
Director Corporate Budget

William Sherman,
Executive Vice President Operations
Vern T. Barber,
Group Vice President Food Divisions
Sydney Lesser,
Vice President and General Manager
Hypermarché Operations
Jack Higgins,
Director Co-ordinated Procurement
Ronald Hooper,
Director Distribution Research
G. Frank Perkin,
Executive Assistant

Adam Silverberg,
Vice President Real Estate
James Boyd,
Director Engineering and
Mechanical Services
Peter Keen,
Director Real Estate
Russell Smart,
Director Research

Harold J. Wolfe,
Secretary

Harvey S. Wolfe,
Vice President Development

Jack B. Wolfe,
Group Vice President Institutional
Food

Leonard Wolfe,
Executive Vice President
Corporate Services
Norman J. Pentecost,
Vice President Personnel
Thomas Carmichael,
Director Compensation
William Lloyd,
Director Security
Paul Nielsen,
Director Industrial Relations

Operating Divisions

Wholesale and Retail Food
Bolands Limited, Dartmouth,
Nova Scotia
Mead K. Smith,
President and General Manager
Robert D. Thomson,
Executive Vice President and
Secretary
Frank Hickey, Vice President
Merchandising and Advertising
William B. Peters, Vice President
Administration and Controller
Jack van Brummen, Vice President
Retail Operations

Codville Distributors Ltd.,
Winnipeg, Manitoba
William H. Holman,
President and General Manager
Midland Fruit Co. Ltd.
V. Gouriluk, President

Hudon et Orsali Limitée,
Montreal, Quebec
Guy Hudon,
President and General Manager
Jean Richer, Vice President Sales
Claude A. Sanschagrin, Vice President
Administration

Ontario Food Division
Allister P. Graham,
Vice President and General Manager
John F. Brown, Ph.D., Vice President
Warehousing and Distribution
Vernon G. Jantzi, Vice President
Corporate Stores
Ben G. Terry, Vice President
Franchise Stores
Harry Guest, General Sales Manager

Institutional Food
Dispenser Division
J. Alan Jack, General Manager
Robert C. Kelly, Director Sales

Dominion Mushroom Company Limited
Nat Tickner, Manager

E. W. Hickeson & Co. Limited
Charles Davies, President

Langs Foods Limited,
Hamilton, Ontario
Linn Johnstone, General Manager

Model Laundry Limited
Leif Christensen, General Manager

The Ontario Produce Company Limited
Harry Russell, General Manager

General Merchandise
Towers Department Stores Limited
Jack Genser,
President and General Manager
Alex Kennedy, Vice President
Sales and Operations
Stanley Lipson, Vice President
Merchandising
Hugh Simpson, Vice President
Administration
Matilda Manojlov, Director Systems
and Office Services
Gordon Murray, Director Personnel
John Share, Director Warehouse
Operations

Kent Drugs Limited
Ab Flatt, President
Douglas F. Holland,
Vice-President and General
Manager

Restaurant Division
Nelson Seltzer
Vice President and General
Manager

Automotive Services Division
Richard Wolfe, Manager

Other
Coinamatic Laundry Equipment Limited
London, United Kingdom
Robin H. Phillips, Managing Director

Comserve Limited
James H. Finch, President and
General Manager

Registrar and Transfer Agents
Class A Shares and Series A
Debentures
The Canada Trust Company,
Toronto, Montreal, Calgary,
Vancouver and Regina
5½% Subordinated Convertible
Sinking Fund Debentures
The National Trust Co. Ltd.
Toronto

Auditors
Wm. Eisenberg & Co., Toronto

Bankers
Canadian Imperial Bank of
Commerce
Mercantile Bank of Canada
Bank of Montreal
Bank of Nova Scotia
Toronto-Dominion Bank

Listed on
Toronto Stock Exchange
Montreal Stock Exchange

Head Office
125 The Queensway
Toronto, Canada
M8Y 1H7

Subsidiaries

Bolands Limited
Codville Distributors Ltd.
Hudon et Orsali Limitée
Midland Fruit Co. Ltd.

Coinamatic Laundry Equipment
Limited

Comserve Limited

Dominion Mushroom Company
Limited
E. W. Hickeson & Co. Limited
Langs Foods Limited
The Ontario Produce Company
Limited

Marchland Holdings Limited
Oshawa Properties Limited

Model Laundry Limited

Oshawa Trading Limited

Towers Department Stores Limited
Kent Drugs Limited

Consumers Distributing Company
(National) Limited (50% owned)

Oshawa Report

For 28 weeks ended
August 11, 1978

The Oshawa Group Limited
125 The Queensway
Toronto Canada M8Y 1H7

Sales and Earnings

Sales in the 28 weeks ended August 11, 1973 were a record $350,166,000 an increase of $56,541,000 or 19.3% over $293,625,000 last year. Net earnings before extraordinary income were $2,762,000 or 39.2 cents a share, 3.2% higher than $2,677,000 or 38.2 cents in 1972.

Extraordinary income of $330,000, derived largely from property transactions, brought final net earnings to $3,092,000 or 43.9 cents per share, compared with $3,028,000 or 43.1 cents.

Second quarter earnings were lower than anticipated in the General Merchandise Group, reflecting keen competition from new retail facilities and inflationary increases in operating expenses. The Wholesale and Retail Food Group enjoyed a better first half while Institutional Foods recorded a significant improvement.

Growth

At the end of the first half Oshawa had opened a Towers Department Store, Food City, Drug City and a restaurant in the new Prince Edward Square in Saint John, New Brunswick, a combination food and drug Family Centre in Hamilton and a Drug City in Orangeville, Ontario. Consumers Distributing Company (National) Limited, in which Oshawa has a 50% interest, opened eight new catalogue showrooms.

Oshawa's 240,000 square-foot Hypermarché, the first combination general merchandise and food super store of its kind in North America, is nearing completion and will open in Laval, Quebec on October 31. By year end an additional department store, two Family Centres, one Drug City and 12 catalogue showrooms will be in operation.

Outlook

Sales are running well ahead of last year and gross profit margins have stabilized. However, wages and salaries, employee benefits, utilities, municipal taxes, supplies, in fact every major operating expense has risen sharply. While these trends are expected to continue, every effort is being made to restrain this escalation. Earnings in the second half should benefit from a substantial increase in the contribution from Consumers Distributing (National) Limited but will be affected by the start-up costs associated with Hypermarché Laval.

R. D. Wolfe
President

October 15, 1973

Company

THE OSHAWA GROUP LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF PROFIT AND LOSS
FOR THE 28 WEEKS ENDED AUGUST 11, 1973
(In Thousands of $)

	August 11, 1973	August [illegible] 1972	% Increase Decrease
Sales	$ 350,166	$ [illegible]	[illegible]
Earnings before undernoted items	5,301	5,251	[illegible]
Income taxes	2,600	[illegible]	[illegible]
	2,[illegible]	[illegible]	[illegible]
Share of net earnings of Consumers Distributing Company (National) Limited	31	46	[illegible]
Earnings before extraordinary income	2,762	[illegible]	[illegible]
Extraordinary income	330	34[illegible]	[illegible]
Net earnings	$ 3,092	$ 3,026	2.2
Net earnings per combined Class "A" and common shares	43.3¢	42.[illegible]¢	[illegible]
Earnings per share before extraordinary income	39.2¢	38.2¢	[illegible]
Shares outstanding (based on average number of shares outstanding during 28 weeks)	7,143,304	[illegible]	[illegible]

THE OSHAWA GROUP LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS
FOR THE 28 WEEKS ENDED AUGUST 11, 1973

(In Thousands of $)

	August 11, 1973	August 5, 1972
Source of Funds		
Operations		
Net earnings for period	$ 3,092	$ 3,026
Items not requiring cash outlay: Depreciation and amortization	4,079	3,745
Deferred income taxes	256	141
Share of net earnings of Consumers Distributing Company (National) Limited	(91)	(48)
Total Funds from Operations	7,336	6,864
Other		
Increase in long-term bank indebtedness	3,750	—
Issue of Class "A" shares	—	395
Increase in notes and mortgages payable	—	2,329
Reduction in cash surrender value of life insurance	112	15
Increase in minority interest in subsidiaries	34	—
	11,232	9,603
Use of Funds		
Increase in investments	35	527
Decrease in notes and mortgages payable	1,100	—
Increase in loans and mortgages receivable	1,711	2,171
Purchase of fixed assets less disposals	2,703	6,255
Increase in excess cost of shares of subsidiaries over net book value of underlying assets	360	1,009
Dividends to shareholders	1,197	1,054
Adjustments re prior years' taxes	168	—
Reduction in minority interest in subsidiaries	—	24
	7,274	11,040
Increase (Decrease) in Working Capital	$ 3,958	$ (1,437)
Working Capital – at end of period	$ 19,129	$ 14,325
Working Capital – at beginning of year	15,171	15,762
Increase (Decrease) in Working Capital	$ 3,958	$ (1,437)

Notes: 1. All figures unaudited and subject to year-end adjustment.

2. On a fully diluted basis, earnings per share amounted to 42.4¢ (41.5¢ in 1972) and earnings per share before extraordinary income to 38.0¢ (36.9¢ in 1972).

THE OSHAWA GROUP LIMITED ET SES FILIALES
ÉTAT CONSOLIDÉ DE LA SOURCE ET DE L'EMPLOI DES FONDS
POUR LES 28 SEMAINES TERMINÉES LE 11 AOÛT 1973

(En milliers de dollars)

	Le 11 août 1973	Le 5 août 1972
Source des Fonds		
Exploitation		
Bénéfices nets de la période	$ 3,092	$ 3,026
Dépenses n'entraînant pas de sortie de fonds:		
Amortissement et dépréciation	4,079	3,745
Impôts sur le revenu différés	256	141
Part des bénéfices nets de Consumers Distributing (National) Limited	(91)	(48)
Total des fonds provenant de l'exploitation	7,336	6,864
Autres		
Augmentation de la dette bancaire à long terme	3,750	—
Emission d'actions de catégorie "A"	—	395
Augmentation des billets et des hypothèques à payer	—	2,329
Diminution des valeurs de rachat d'assurance-vie	112	15
Augmentation de l'intérêt minoritaire dans les filiales	34	—
	11,232	9,603
Emploi des fonds		
Augmentation des investissements	35	527
Diminution des billets et des hypothèques à payer	1,100	—
Augmentation des prêts et des hypothèques à recevoir	1,711	2,171
Achat d'immobilisations moins la vente d'immobilisations	2,703	6,255
Augmentation de l'excédent du prix coûtant des actions de filiales par rapport à leur valeur comptable nette de l'actif	360	1,009
Dividendes aux actionnaires	1,197	1,054
Ajustements au sujet d'impôts d'années précédentes	168	—
Diminution de l'intérêt minoritaire dans les filiales	—	24
	7,274	11,040
Augmentation (diminution) du fonds de roulement	$ 3,958	$ (1,437)
Fonds de roulement – à la fin de la période	$ 19,129	$ 14,325
Fonds de roulement – au début de l'exercice	15,171	15,762
Augmentation (diminution) du fonds de roulement	$ 3,958	$ (1,437)

Notes: 1. Tous les chiffres n'ont pas été soumis à une vérification comptable et sont sujets à des ajustements à la fin de l'exercice.

2. Sur une base entièrement diluée, les bénéfices par action s'élevèrent à 42.4¢ (41.5¢ en 1972) et les bénéfices par action avant le revenu extraordinaire à 38.0¢ (36.9¢ en 1972).

THE OSHAWA GROUP LIMITED ET SES FILIALES
ÉTAT CONSOLIDÉ DES PROFITS ET PERTES
POUR LES 28 SEMAINES TERMINÉES LE 11 AOÛT 1973

(En milliers de dollars)

	Le 11 août 1973	Le 5 août 1972	% d'augmentation (de diminution)
Ventes	**$ 350,166**	$ 293,625	19.3
Bénéfices avant les articles annotés ci-dessous	**5,301**	5,251	1.0
Impôts sur le revenu	**2,630**	2,622	.3
	2,671	2,629	1.6
Part des bénéfices nets de Consumers Distributing Company (National) Limited	**91**	48	89.3
Bénéfices avant le revenu extraordinaire	**2,762**	2,677	3.2
Revenu extraordinaire	**330**	349	(5.5)
Bénéfices nets	**$ 3,092**	$ 3,026	2.2
Bénéfices nets par action ordinaire et action de catégorie "A" combinées	**43.9¢**	43.1¢	1.8
Bénéfices par action avant le revenu extraordinaire	**39.2¢**	38.2¢	2.8
Actions en circulation (d'après le nombre en moyenne d'actions en circulation durant 28 semaines)	**7,043,804**	7,015,857	.4

Ventes et bénéfices

Les ventes au cours des 28 semaines terminées le 11 août 1973 ont atteint le chiffre sans précédent de $350,166,000 soit une augmentation de $56,541,000 ou de 19.3% en comparaison du chiffre de $293,625,000 l'an dernier. Les bénéfices nets avant le revenu extraordinaire furent de $2,762,000 ou de 39.2 cents par action, soit 3.2% plus élevés que $2,677,000 ou 38.2 cents en 1972.

Le revenu extraordinaire de $330,000 provenant surtout des transactions immobilières, a fait réaliser en tout des bénéfices nets de $3,092,000 ou de 43.9 cents par action, en comparaison de $3,026,000 ou 43.1 cents.

Les bénéfices du deuxième trimestre furent moindres que prévus dans le Groupe des Marchandises Générales, ce qui reflète une concurrence intense provenant des nouveaux établissements au détail et de l'augmentation des frais d' opération causée par l'inflation. Le groupe de produits alimentaires en gros et au détail a bénéficié d'un meilleur premier semestre alors que les Ventes Alimentaires aux Institutions ont marqué une amélioration significative.

Progrès

A la fin de la première moitié de l'exercice, Oshawa avait ouvert un grand magasin à rayons Towers, un Food City, un Drug City et un restaurant au nouveau Carré Prince-Edouard à Saint-Jean, Nouveau-Brunswick, un magasin Family Centre combinant un marché alimentaire et un marché de produits pharmaceutiques à Hamilton et un établissement Drug City à Orangeville, Ontario. Consumers Distributing Company (National) Limited, dont Oshawa possède un intérêt de 50%, a inauguré huit nouvelles salles d'exposition avec catalogue.

Le grand établissement Hypermarché d'Oshawa couvrant 240,000 pieds carrés, le premier grand magasin combiné de marchandises générales et d'alimentation du genre en Amérique du Nord, est près d'être achevé et s'ouvrira à Laval, Québec, le 31 octobre. Vers la fin de l'exercice un autre grand magasin à rayons, deux magasins Family Centre, un magasin Drug City et 12 salles d'exposition avec catalogue seront en opération.

Perspectives

Les ventes sont en avance sur l'an dernier et les marges de profits bruts se sont stabilisées. Cependant, les rémunérations et les salaires, les avantages sociaux pour les employés, les services publics, les taxes municipales, les approvisionnements, en fait tous les frais importants d'exploitation ont augmenté d'une façon marquée. Bien qu'il soit prévu que ces tendances se continueront, tous les efforts sont faits pour restreindre cette montée. Les bénéfices au cours du deuxième semestre devraient profiter de l'augmentation substantielle de la contribution de Consumers Distributing (National) Limited mais seront affectés par les frais de début associés avec l'établissement Hypermarché Laval.

Le président,
R. D. Wolfe

Le 15 octobre 1973

Le Rapport d'Oshawa

pour les 28 semaines terminées le 11 août 1973

The Oshawa Group Limited
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Toronto Canada M8Y 1H7